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LAST HOPE, INC.
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/14/02

LAST HOPE, INC.
(A NONPROFIT ORGANIZATION)
DECEMBER 31, 2001

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BERNARD & FRANKS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

JOSEPH V. FRANKS II, C.P.A.

NICHOLAS F. CHETTA, C.P.A.

NICHOLAS W. LAFRANZ III, C.P.A.

JAMES L. WHITE, C.P.A.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Last Hope, Inc.
New Orleans, Louisiana

We have audited the accompanying statement of financial position of Last Hope, Inc. (a nonprofit organization) as of December 31, 2001, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Last Hope, Inc. as of December 31, 2001, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2002, on our consideration of Last Hope, Inc.'s internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

June 24, 2002

LAST HOPE, INC.
(A NONPROFIT ORGANIZATION)

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2001

ASSETS	<u>2001</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 71,082
Grants receivable	49,528
Other receivables	<u>2,440</u>
 Total current assets	 <u>\$ 123,050</u>
 PROPERTY AND EQUIPMENT	
Land	\$ 5,800
Buildings	23,200
Furniture and fixtures	1,077
Vehicles	26,658
Leasehold improvements	<u>62,407</u>
	119,142
Accumulated depreciation	<u>(33,418)</u>
	 <u>\$ 85,724</u>
	 <u><u>\$ 208,774</u></u>

The Notes to Financial Statements are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2001</u>
CURRENT LIABILITIES	
Accrued expenses	\$ 5,850
Tenant deposits	2,383
Current portion of note payable - officers	<u>548</u>
Total current liabilities	<u>\$ 8,781</u>
 LONG-TERM LIABILITIES	
Note payable - officers	<u>\$ 7,153</u>
Total liabilities	<u>\$ 15,934</u>
 NET ASSETS	
Unrestricted	<u>\$ 192,840</u>
	<u><u>\$ 208,774</u></u>

LAST HOPE, INC.
(A NONPROFIT ORGANIZATION)

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2001

UNRESTRICTED NET ASSETS

2001

REVENUE, GAINS, AND SUPPORT

Grant revenue	\$ 152,697
Contributions	93,436
Tenant rents	59,166
Other revenue	<u>1,741</u>

Total revenues, gains and support - unrestricted	<u>\$ 307,040</u>
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EXPENSES

Program services	\$ 183,912
Supporting services - management and general	<u>37,911</u>

Total expenses	<u>\$ 221,823</u>
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Change in unrestricted net assets	\$ 85,217
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Net assets, beginning of year	<u>107,623</u>
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Net assets, end of year	<u><u>\$ 192,840</u></u>
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The Notes to Financial Statements are an integral part of these statements.

LAST HOPE, INC.
(A NONPROFIT ORGANIZATION)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2001

	Program Services	Supporting Services - Management & General	Total
	<u> </u>	<u> </u>	<u> </u>
Compensation & related expenses			
Compensation	\$ 88,700	\$ 14,300	\$ 103,000
Employee benefits			
Payroll taxes	7,670	1,480	9,150
Workers compensation	2,501	-	2,501
Automobile expenses	1,369	-	1,369
Contribution	2,224	-	2,224
Depreciation and amortization	8,713	-	8,713
Food	4,596	-	4,596
Insurance	8,603	-	8,603
Interest	-	658	658
Licenses		571	571
Occupancy			
Maintenance	19,176	-	19,176
Utilities	29,347	-	29,347
Miscellaneous	2,413	2,867	5,280
Postage	-	550	550
Printing	-	641	641
Professional services	-	16,374	16,374
Supplies	4,681	369	5,050
Telephone	1,874	101	1,975
Tenant expenses	2,045	-	2,045
	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 183,912</u>	<u>\$ 37,911</u>	<u>\$ 221,823</u>

The Notes to Financial Statements are an integral part of these statements.

LAST HOPE, INC.
(A NONPROFIT ORGANIZATION)

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2001

	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 85,217
Adjustments to reconcile net cash provided by operating activities:	
Depreciation and amortization	8,713
Noncash contribution of property to others	2,224
(Increase) decrease in grants receivable	(35,072)
(Increase) decrease in other receivables	(2,440)
Increase (decrease) in accrued expenses	2,071
Increase (decrease) in tenant deposits	2,383
Net cash provided by operating activities	<u>\$ 63,096</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	\$ (34,784)
Net cash used in investing activities	<u>\$ (34,784)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on loan payable - officer	\$ (542)
Net cash used in financing activities	<u>\$ (542)</u>
 Net increase (decrease) in cash and cash equivalents	\$ 27,770
 Cash and cash equivalents, beginning of year	<u>43,312</u>
 Cash and cash equivalents, end of year	<u><u>\$ 71,082</u></u>
 SUPPLEMENTAL DISCLOSURES:	
Interest paid	<u><u>\$ 658</u></u>

The Notes to Financial Statements are an integral part of these statements.

LAST HOPE, INC.
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2001

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Operations

Last Hope, Inc. is a nonprofit corporation which provides residential treatment facilities for individuals suffering from drug and alcohol addiction and mental disease such as manic depression in the New Orleans area. The Organization is supported primarily through donor contributions and grants. Approximately 26% and 23% of the Organization's support for the year ended December 31, 2001 came from grants from the State of Louisiana and Unity for the Homeless, respectively.

Basis of Accounting

The financial statements of Last Hope, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

At present, all of the Organizations funds are included in the Unrestricted category. Should the Organization receive funds that are donor restricted, they would be classified as required by the Statement.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

LAST HOPE, INC.
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2001

Note 1. Nature of Activities and Summary of Significant Accounting Policies(Continued)

Property and Equipment

The Organization capitalizes all acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets. Purchased property and equipment is carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Allocated Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Grant revenues

Grant revenues earned under reimbursement type contracts are recorded as revenues when the related expenses are incurred.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

LAST HOPE, INC.
(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2001

Note 2. Grants Receivable

Grants receivable at December 31, 2001 consisted of the following:

State of Louisiana – Department of Health and Hospitals	\$ 34,844
Unity for the Homeless, Inc.	<u>14,684</u>
	<u>\$ 49,528</u>

Management feels that grants receivable at December 31, 2001 are fully collectible, and therefore has not recorded an allowance.

Note 3. Property and Equipment

Property and equipment consist of the following:

	<u>2001</u>	<u>Depreciation/ Amortization- Annual Rates</u>
Land	\$ 5,800	
Buildings	23,200	5 percent
Furniture and fixtures	1,077	10 percent
Vehicles	26,658	20 – 33 percent
Leasehold improvements	<u>62,407</u>	10 percent
	<u>\$ 119,142</u>	

Depreciation and amortization expense charged to income was \$8,713 for the year ending December 31, 2001.

During 2001, the Organization purchased a van for \$25,500. The van was paid for under the contract with the State of Louisiana. In accordance with the terms of the agreement, equipment purchased under the agreement may revert to the State upon termination of contracted services.

LAST HOPE, INC.
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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2001

Note 4. Note payable - officers

The Organization borrowed \$10,400 from officers of the Organization to purchase a building. The note bears interest at 8.75% and is payable in monthly installments of \$100 through June 2011.

The future scheduled maturities of long-term debt are as follows:

Years ending December 31:	
2002	\$ 548
2003	598
2004	652
2005	712
2006	776
Thereafter	4,415
	<u>\$ 7,701</u>

Interest expense was \$658 for the year ending December 31, 2001.

Note 5. Leases

The Organization leases four residential properties for \$2 a year on a month-to-month basis. The Organization pays insurance, utilities, and repair and maintenance costs on these properties which are occupied by residents of the program.

Note 6. Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

SUPPLEMENTARY INFORMATION



BERNARD & FRANKS
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JAMES L. WHITE, C.P.A.

INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors
Last Hope, Inc.
New Orleans, Louisiana

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Last Hope, Inc. taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bernard & Franks

June 24, 2002

LAST HOPE, INC.
(A NONPROFIT ORGANIZATION)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND PER-DIEM PAID TO BOARD OF COMMISSIONERS

YEAR ENDED DECEMBER 31, 2001

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Expenditures</u>
FEDERAL AWARDS:	
U. S. Department of Housing and Urban Development Pass-through Unity for the Homeless, Inc.	\$ 70,775
U. S. Department of Housing and Urban Development Pass-through City of New Orleans, Department of Housing and Neighborhood Development	<u>2,870</u>
Total expenditures of federal awards	<u>\$ 73,645</u>

SCHEDULE OF PER-DIEM PAID TO BOARD OF COMMISSIONERS

None



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Last Hope, Inc.
New Orleans, Louisiana

We have audited the financial statements of Last Hope, Inc. (a nonprofit organization) as of and for the year ended December 31, 2001, and have issued our report thereon dated June 24, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Last Hope, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Last Hope, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned duties. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and the State of Louisiana and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



June 24, 2002

LAST HOPE, INC.
(A NONPROFIT ORGANIZATION)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2001

SUMMARY OF AUDIT RESULTS

1. The independent auditor's report on the financial statements expressed an unqualified opinion.
2. The statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
3. No instances of noncompliance considered to be material to the financial statements were disclosed by the audit.
4. No management letter was issued during the period.
5. There were no major programs during this year and therefore Last Hope, Inc. was not subject to OMB Circular A-133.

REPORTABLE CONDITIONS – FINANCIAL STATEMENTS – CURRENT YEAR

None

SUMMARY OF PRIOR YEAR'S AUDIT FINDINGS

This was the first year audit for Last Hope, Inc.; therefore, there are no prior year audit findings.